



WILLIAM T FUJIOKA
Chief Executive Officer

County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
<http://ceo.lacounty.gov>

November 3, 2010

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**AMENDMENT NO. 2 TO LEASE NO. 67296
DEPARTMENT OF MENTAL HEALTH
7621 CANOGA AVENUE, CANOGA PARK
(THIRD DISTRICT) (3 VOTES)**

SUBJECT

This recommendation is for a seven-year lease amendment for 15,900 rentable square feet for the Department of Mental Health to provide continued use of existing office space for the West Valley Mental Health Center and 64 parking spaces.

IT IS RECOMMENDED THAT YOUR BOARD:

1. Find that the proposed lease amendment is categorically exempt from the provisions of the California Environmental Quality Act pursuant to Class 1 of the Environmental Document Reporting Procedures and Guidelines adopted by your Board, per Section 15301 of the State of California Environmental Quality Act Guidelines (Existing Facilities).
2. Approve and instruct the Chair to sign an amendment to the ten-year lease agreement with Gelb Enterprises, LLC (Lessor) for the Department of Mental Health to continue occupancy of 15,900 square feet of office and clinical space and 64 parking spaces located at 7621 Canoga Avenue, Canoga Park, at an initial annual rental cost of \$295,740. The rental and related costs are fully funded by State and Federal revenue.
3. Authorize the Chief Executive Officer and the Director of Mental Health to implement the project. The lease amendment will be effective upon approval by your Board.

Board of Supervisors
GLORIA MOLINA
First District

MARK RIDLEY-THOMAS
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

"To Enrich Lives Through Effective And Caring Service"

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PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The Department of Mental Health (DMH) has been housed in a stand-alone facility at this location since July 1994, when the West Valley Medical Center (Center) was originally improved for County use. The facility provides direct services to clients in the surrounding vicinity of Service Area 2. The Center provides outpatient adult and family/older adult outpatient services geared toward the recovery model and includes treatment of co-occurring disorders, group and family therapy, vocational services, the Department of Public Social Services' (DPSS) CalWORKs and GROW programs, field capable clinical services for older adults, and crises resolution services.

The Center houses approximately 70 staff positions and services approximately 250 clients per week. Though the subject facility does not fully meet the space and parking needs of the program, due to budgetary constraints, limited geographical areas available to accommodate the program without infringing on DMH area contractors, and given potential long-term strategies to relocate the clinic to a more suitable location within the service area, DMH requested renewal of the lease subject to a three-year cancellation provision. By doing so, should another facility be acceptable and be fiscally feasible during the extension term, DMH may choose to relocate.

The proposed Amendment allows for up to 64 parking spaces, 40 of which are currently located on-site with the remainder off-site. In order to alleviate DMH's ongoing parking needs, the County negotiated to obtain shuttle or similar parking services. The County will continue to work with the Lessor to address on and off-site parking requirements. There is street parking in the surrounding area and the facility is close to public transportation routes, including the potential expansion of the existing MTA Orange line for the northwest San Fernando Valley.

Approval of the proposed amendment will provide DMH the continued occupancy of the facility with the uninterrupted delivery of programs and services to the affected constituency within this geographic area and the opportunity to relocate to a larger facility with ample appurtenant parking in the future.

Implementation of Strategic Plan Goals

The Countywide Strategic Plan directs that we maximize the effectiveness of processes, structure, and operations to support timely delivery of customer-oriented and efficient public services (Goal 1). In this case, the County of Los Angeles (County) is supporting the goal by providing an office in the community it serves, to increase effectiveness and enhance customer service, providing responsive services to the public.

FISCAL IMPACT/FINANCING

The proposed lease amendment will provide DMH uninterrupted use of 15,900 square feet of office and clinical space and 64 parking spaces at a monthly rent of \$24,645 per month, or \$295,740 annually. The base rental rate reduction from the existing rent of \$3.02 per square foot annually will represent savings of approximately \$336,589 over the term of the extended lease. In addition, a tenant improvement allowance of \$159,000, or \$10 per square foot, included in the rent was negotiated for new carpet, paint and miscellaneous tenant improvements within the facility.

7621 Canoga Ave. Canoga Park	Existing Lease/ Amendment No. 1	Proposed Lease/ Amendment No. 2	Change
Area (square feet)	15,900	15,900	None
Term	(7/13/2004-7/12/2009) currently month-to-month	Seven years upon Board adoption	+Seven years
Annual Rent	\$343,824 (\$21.62/sq.ft.)*	\$295,740 (\$18.60/sq.ft.)*	- \$48,084 (-\$3.02/sq.ft.)
TI Allowance	\$79,500 (\$5/sq.ft.)	\$159,000 (\$10/sq.ft.)	+\$79,500 (+\$5/sq.ft.)
Cancellation	County after 36 months with 90 days notice	County after 36 months with 90 days notice	None
Parking (included)	64	64	None
Option to Renew	One five-year option	One five-year option	None
Rental Adjustment	Consumer Price Index (CPI) capped at 3 percent	CPI capped at 3 percent	None

* County pays utilities which based on fiscal year 2009/2010 records cost \$1.80/sq.ft. annually, or \$28,922.

This is a modified full-service gross lease whereby the Lessor is responsible for the operating costs associated with the County's occupancy, less utilities. The rental rate is \$18.60 per square foot per year. Parking is included in the rental rate.

Sufficient funding for the proposed lease costs is included in the 2010-11 Rent Expense budget and will be billed back to DMH. DMH has sufficient funding in its 2010-11 operating budget to cover the projected lease costs.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The proposed amendment will provide uninterrupted use of 15,900 square feet of office space and 64 parking spaces. The proposed lease amendment contains the following provisions:

- Commencement of new rent and seven-year term upon approval by your Board.
- A modified full-service gross basis with the Lessor responsible for the operating and maintenance costs, less utilities.
- A TI allowance of \$159,000 for new carpet, paint and miscellaneous improvements included in the base rent.
- A cancellation provision allowing the County to cancel any time after 36 months with 90 days prior written notice and payment of a cancellation fee equal to the unamortized balance of the TI costs.
- Annual rental rate adjustments based upon CPI with no minimum and a maximum increase of 3 percent per annum.

The Chief Executive Office (CEO) Real Estate staff conducted a survey within the search area to determine the availability of comparable and more economical sites. Staff was unable to identify any sites in the surveyed area that could accommodate this requirement more economically, nor are there any County-owned or leased facilities available for this program. Based upon said survey, staff has established that the rental range for similar office space is between \$16.80 and \$31.80 per square foot per year on a modified full-service gross basis, excluding parking. Thus, the base annual rent of \$18.60 per square foot per year modified gross basis, including parking, for the proposed lease represents a rate within the market range for the area. Attachment B shows County-owned or leased facilities in the proximity of the service area and there are no suitable County-owned or leased facilities available for the program.

The Office of Affirmative Action Compliance (OAAC) has inspected the leased premises and related common areas to assess Americans with Disabilities Act (ADA) accessibility compliance. A report identifying barriers to accessibility has been completed by the OAAC and provided to the CEO and DMH. Pursuant to the report, the CEO, DMH, and the Lessor are engaged in a collaborative effort to address the removal of barriers to improve accessibility to the programs, services and activities.

The Department of Public Works has inspected this facility and found it suitable for the County's occupancy. Notification letters have been sent pursuant to Government Code Sections 25351 and 65402.

ENVIRONMENTAL DOCUMENTATION

The CEO has concluded that this project is exempt from California Environmental Quality Act (CEQA) as specified in Class 1 of the Environmental Document Reporting Procedures and Guidelines adopted by your Board, and Section 15301 of the State CEQA Guidelines (Existing Facilities).

IMPACT ON CURRENT SERVICES (OR PROJECTS)

The proposed lease amendment will adequately provide the necessary office space for this County requirement. DMH concurs with the proposed lease recommendation.

CONCLUSION

It is requested that the Executive Officer, Board of Supervisors, return three originals of the executed lease amendment, two certified copies of the Minute Order and the adopted, stamped Board letter to the CEO, Real Estate Division at 222 South Hill Street, 4th Floor, Los Angeles, CA 90012 for further processing.

Respectfully submitted,



WILLIAM T. FUJIOKA
Chief Executive Officer

WTF:BC:SK
WLD:CEM:NCH:hd

Attachments

c: Executive Office, Board of Supervisors
County Counsel
Auditor-Controller
Mental Health

**DEPARTMENT OF MENTAL HEALTH
7621 CANOGA AVENUE, CANOGA PARK
Asset Management Principles Compliance Form¹**

1.	<u>Occupancy</u>		Yes	No	N/A
	A	Does lease consolidate administrative functions? ²			X
	B	Does lease co-locate with other functions to better serve clients? ²			X
	C	Does this lease centralize business support functions? ²			X
	D	Does this lease meet the guideline of 250 sq. ft of space per person? ² Ratio is approximately 227 square feet per person which falls under guideline for Clinic space office space.	X		
2.	<u>Capital</u>				
	A	Is it a substantial net County cost (NCC) program?		X	
	B	Is this a long term County program?	X		
	C	If yes to 2 A or B; is it a capital lease or an operating lease with an option to buy?		X	
	D	If no, are there any suitable County-owned facilities available?		X	
	E	If yes, why is lease being recommended over occupancy in County-owned space?			X
	F	Is Building Description Report attached as Attachment B?	X		
	G	Was build-to-suit or capital project considered? DMH intends to explore this opportunity in the future.	X		
3.	<u>Portfolio Management</u>				
	A	Did department utilize CEO Space Request Evaluation (SRE)?	X		
	B	Was the space need justified?	X		
	C	If a renewal lease, was co-location with other County departments considered?	X		
	D	Why was this program not co-located?			X
		1. ____ The program clientele requires a "stand alone" facility.			
		2. ____ No suitable County occupied properties in project area.			
		3. <u>X</u> No County-owned facilities available for the project.			
		4. ____ Could not get City clearance or approval.			
		5. ____ The Program is being co-located.			
	E	Is lease a full service lease? ² Modified gross (net utilities) as with existing lease.		X	
	F	Has growth projection been considered in space request?		X	
	G	Has the Dept. of Public Works completed seismic review/approval?	X		
¹ As approved by the Board of Supervisors 11/17/98					
² If not, why not?					

**DEPARTMENT OF MENTAL HEALTH
SPACE SEARCH – WITHIN A THREE-MILE RADIUS OF EXISTING FACILITY**

LACO		ADDRESS	SQUARE GROSS	FEET NET	OWNERSHIP	SQ FT AVAILABLE
5872	DHS-CANOGA PARK HEALTH CENTER (P/PP SITE)	7107 REMMET AVE, CANOGA PARK 91303	5308	3094	OWNED	NONE
A624	BOS-FIELD OFFICE DISTRICT 5	21943 PLUMMER ST, CHATSWORTH	2550	2423	LEASED	NONE
A503	DPSS-WEST VALLEY CALWORKS/GAIN REG II PROGRAM	21415 PLUMMER ST, CHATSWORTH 91311	97280	87552	LEASED	NONE
A504	DPSS-WEST VALLEY CALWORKS/IHSS PROGRAM OFFICE	21615 PLUMMER ST, CHATSWORTH 91311	67220	60498	LEASED	NONE
A664	DMH-WELLNESS CENTER	6800 OWENSMOUTH, CANOGA PARK 91303	5665	5382	LEASED	NONE
A211	MENTAL HEALTH-WEST VALLEY MENTAL HEALTH CTR	7621 CANOGA AVE, CANOGA PARK 91304	15900	13515	LEASED	NONE
A652	DCFS CHATSWORTH OFFICE	20151 NORDHOFF ST, CHATSWORTH 91311	73595	69915	LEASED	NONE
X165	CHATSWORTH COURTHOUSE	9425 PENFIELD AVE, CHATSWORTH 91311	225932	182589	FINANCED	NONE
A637	DPSS - MEDICAL (NORTHRIDGE)	9451 CORBIN AVE, NORTHRIDGE 91324	57799	54909	LEASED	NONE
B192	MENTAL HEALTH-S F VALLEY CHILDREN'S SERVICES	19231 VICTORY BLVD, RESEDA 91335	8085	7220	LEASED	NONE

**AMENDMENT NO. 2 TO LEASE NO. 67296
DEPARTMENT OF MENTAL HEALTH
7621 CANOGA AVENUE, CANOGA PARK**

THIS AMENDMENT NO. 2 ("Amendment" or "Amendment No. 2") TO LEASE NO. 67296 is made, entered and dated as of this _____ day of _____, 2010 by and between GELB ENTERPRISES, a California limited partnership, hereinafter referred to as "LESSOR" and the COUNTY OF LOS ANGELES, a body corporate and politic, hereinafter referred to as "LESSEE".

RECITALS

WHEREAS, a Lease and Agreement (the "Lease") was executed by and between Gelb Enterprises, as Lessor, and the County of Los Angeles as Lessee, on February 1, 1994, whereby the Lessor leased to Lessee those certain premises containing approximately 15,900 rentable square feet of office space in a building located at 7621 Canoga Avenue, Canoga Park, for a term of ten years, and;

WHEREAS, Lessor and Lessee extended the Lease Term and amended the Lease under Amendment No. 1 to Lease No. 67296 on July 6, 2004;

WHEREAS, Lessor and Lessee further desire to extend the Lease Term and amend the Lease under Amendment No. 2 to Lease No. 67296 and;

WHEREAS, the terms of this Amendment No. 2 to Lease No. 67296 shall not become effective until such time that said Amendment is executed by all parties herein.

NOW, THEREFORE, in consideration of the foregoing recitals, and mutual covenants, promises, and conditions hereinafter contained, the parties hereby agree, effective upon approval of this lease Amendment No. 2 by the Board of Supervisors, to amend said Lease No. 67296 as follows:

1. **TERM:** Effective upon execution of this Amendment by the parties hereto, Paragraph 2,A, ORIGINAL TERM, is amended by the addition of the following:

The "Second Extended Term" of this Lease shall be seven (7) years commencing upon approval of Amendment No. 2 by the Lessee's Board of Supervisors and ending seven (7) years thereafter, unless otherwise extended or renewed, or terminated earlier in accordance with the conditions and provisions contained herein or in future amendment(s) executed in writing between the Lessor and Lessee.

2. **RENT:** Effective upon execution of this Amendment by the parties hereto, and for the remainder of the Second Extended Term but not retroactively, Paragraph 3, RENT, is hereby deleted in its entirety and following is substituted therefor:

The Lessee hereby agrees to pay as rent for the Premises during the Second Extended Term, the sum of twenty-four thousand six hundred forty-five and 00/100 dollars (\$24,645.00) per month, i.e., \$1.55 per rentable square foot per month, payable in advance by Auditor's General Warrant. Rental payments shall be payable within fifteen days after the first day of each and every month of the term hereof provided Lessor has caused a claim therefor for each such month to be filed with the Auditor of the County of Los Angeles prior to the first day of each month.

3. **CANCELLATION:** Effective upon execution of this Amendment by the parties hereto, Paragraph 5, CANCELLATION, is hereby deleted in its entirety and the following is substituted therefor:

Lessee shall have the right to cancel this Lease at or any time after the expiration of the thirty-sixth (36th) month from the commencement of the Second Extended Term pursuant to this Amendment by providing the Lessor at least ninety (90) days prior written notice by Chief Executive Office letter. In the event of such cancellation, Lessee shall reimburse Lessor for the unamortized portion of the Tenant Improvement Allowance expended by Lessor at Lessee's request based on 1/84th of \$159,000 at no interest for every month less than eighty-four (84) months for which the Premises was not leased by Lessee. Payment shall be made within sixty (60) days after Lessee's termination of possession of the Premises.

4. **TENANT IMPROVEMENTS:** Effective upon execution of this Amendment by the parties hereto, Paragraph 25, TENANT IMPROVEMENTS, is deleted and the following is substituted therefor:

The Lessor hereby agrees to provide an allowance of \$159,000 to improve the Premises related to paint, carpet, and other deferred maintenance items of the existing space as the Tenant desires. The improvements will be under the authority of the ownership, or its authorized agent, and approved by an assigned representative of the Lessee's Chief Executive Office. Any unused portion of the allowance up to \$5,000 may be used to offset rent due per an itemized breakdown of such improvements. This allowance is not subject to reimbursement by Lessee unless Lessee exercises its option to cancel pursuant to the provisions of Paragraph 3 of this Amendment. In addition, Lessor shall at its sole cost mitigate the applicable ADA barriers identified on the Office of Affirmative Action Compliance report dated June 17, 2010, a copy of which has been provided the Lessor.

5. **NOTICES:** Paragraph 15, NOTICES, is hereby amended to replace the existing Lessee copy notification address as follows:

Chief Executive Office, Real Estate Division
222 South Hill Street, 3rd Floor
Los Angeles, CA 90012
Attention: Director of Real Estate

6. **RENTAL ADJUSTMENTS:** Effective upon execution of this Amendment by the parties hereto, Paragraph 27, RENTAL ADJUSTMENTS, is hereby amended to replace the existing sum of \$24,520.00 and substituting therefore the sum of \$24,645.00.
7. **RENTAL ADJUSTMENTS:** Paragraph 27, Subparagraph C.1. (General Provisions), is deleted in its entirety and the following is substituted therefor:
 1. In no event shall the monthly rent adjustment based on the CPI formula set forth in Paragraph 27B result in an annual increase greater than three percent (3%) per year of the monthly base year rent of \$24,645.00 (i.e., \$739.35 per month, annually).

Notwithstanding anything to the contrary, all other terms and conditions contained in Lease No. 67296 shall remain unchanged and are hereby reaffirmed. In the event of a conflict between this Amendment No. 2 and the Lease, as amended, the terms of Amendment No. 2 shall control.

IN WITNESS WHEREOF, the Lessor has executed this Amendment No. 2 to Lease No. 67296 or caused it to be duly executed, and the County of Los Angeles, by the order of its Board of Supervisors, has caused this Amendment No. 2 to be executed on its behalf by the Chair of said Board and attested by the Clerk thereof the day, month, and year first above written.

LESSOR:

GELB ENTERPRISES, a California limited partnership

By: Charles T. Gelb Trust, General Partner

By 

Name: Rickey M. Gelb

Title: Trustee

ATTEST:

Sachi E. Hamai
Executive Officer-Clerk
of the Board of Supervisors

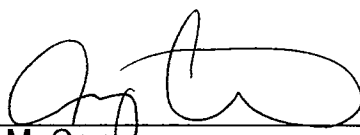
LESSEE:

COUNTY OF LOS ANGELES

By _____
Deputy

By _____
Chair, Board of Supervisors

APPROVED AS TO FORM:
Andrea Sheridan Ordin
County Counsel

By 
Amy M. Caves
Senior Deputy